

**ALTERNATIVE
STATE BUDGET PROPOSAL
TO ELIMINATE POTENTIAL
FY 2003-04 AND FY 2004-05
GENERAL FUND/GENERAL
PURPOSE
AND SCHOOL AID FUND
BUDGET DEFICITS**



SENATE FISCAL AGENCY

JUNE 1, 2004

Table 1

**Summary of Alternative State Budget Proposal
(millions of dollars)**

Potential State Budget Deficits

FY 2003-04 General Fund/General Purpose	\$ 208.0
FY 2003-04 School Aid Fund	50.1
FY 2004-05 General Fund/General Purpose	767.0
FY 2004-05 School Aid Fund	<u>21.3</u>
Total 2-Year Potential Deficits	\$1,046.4

Assumptions:

1. No increase in tobacco taxes.
2. No Increase in the wholesale price of liquor.
3. No enactment of a State estate tax.
4. No elimination of county revenue sharing payments.
5. Funding of agreed upon Medicaid shortfalls.
6. Funding of the private tuition grant program.
7. Sale of Northville property at \$38 million in FY 2003-04.
8. Assumes \$154 million of cigarette tax revenue from BSF to GF/GP.

Senate Fiscal Agency, May 28, 2004

Table 2

Alternative State Budget Proposal
Items to Eliminate FY 2003-04 Potential State Budget Deficits
(millions of dollars)

FY 2003-04 GF/GP and School Aid Fund Budgets

FY 2003-04 Combined Potential Budget Deficit	\$ 258.1
<u>Recommended Adjustments to Balance:</u>	
Reduce Revenue Sharing by 3.0%	39.2
Adjust Retirement Contribution Rates	27.1
Medicaid Special Financing Adjustment	27.7
State Building Authority Debt Service Reduction	23.3
TANF Additional Federal Funding	12.0
Change Accounting of Year-End Payroll	26.5
Assume no Single Business Tax Credit for Pfizer	10.0
Sale of Macomb Oakland Regional Center Property	3.4
Lapse Judiciary Child Support Penalty Refund	6.0
Other Departmental Appropriation Lapses	32.8
Pro-Rate K-12 School Aid Payments by \$28 per pupil	50.1
Total Recommended Adjustments	\$ 258.1

Senate Fiscal Agency, May 27, 2004

Table 3

Alternative State Budget Proposal
Items to Eliminate FY 2004-05 Potential State Budget Deficits
(millions of dollars)

FY 2004-05 GF/GP and School Aid Fund Budgets

FY 2004-05 Combined Potential Budget Deficit \$788.3

Recommended Adjustments to Balance:

Reduce Higher Education by 5.8%	98.4
Reduce Community College Operations by 6.3%.....	17.6
Reduce Revenue Sharing Payments by 6.15%.....	80.5
Reduce Medicaid Provider Reimbursement Rates	37.0
Eliminate Caretaker Relatives from Medicaid	41.6
Reduce Medicaid Community Based Waivers.....	22.8
Eliminate Healthy Michigan Fund Grants.....	17.3
Reduce Non-Medicaid Community Mental Health by 10.3%	32.4
Increase Federal Funding for Medicaid Disproportionate Payments	25.8
Close Newberry Correctional Facility and Camp Manistique.....	26.6
Close Parnall Correctional Facility (Jackson)	17.4
Eliminate Academic and Vocational Education Program in Prisons	28.2
Eliminate Substance Abuse Treatment and Testing in Prisons	17.7
Eliminate Hepatitis C Funding in Prisons.....	5.9
Reduce Foster Care and Adoption Subsidies by 17%.....	28.9
Reduce County Funding for Child Care Facilities by 16.7%	17.1
Reduce Emergency Relief Program by 20%	5.3
Reduce Attorney General Operations.....	1.7
Reduce State Building Authority Debt Service.....	4.0
Reduce Civil Rights Operations	0.7
Reduce Civil Service Operations	0.5
Reduce School Breakfast Program in Education.....	1.7
Reduce Environmental Quality GF/GP Appropriations with Fees.....	2.3
Eliminate Multi-Cultural Grants in Community Health and FIA	5.4
Eliminate Special Funding for Detroit and Grand Rapids Libraries.....	1.1
Reduce Judiciary Technology Improvement Fund.....	2.0
Reduce Judiciary Court Equity Fund Payments	1.9
Transfer Judiciary Juror Compensation Fund Balance to GF/GP.....	4.0
Reduce Job Creation Services in Labor and Economic Growth	2.0
Reduce Economic Development Grants in Labor and Economic Growth	3.0
Reduce Legislative Funding by 6.15%.....	7.0
Reduce Management and Budget Operations.....	2.3
Reduce School Aid Funding	133.2
Reduce Secretary of State Mainframe Computer Funding	0.9
Reduce State Police Trooper Funding.....	15.1
Reduce Comprehensive Transportation Programs.....	34.4
Reduce Treasury Funding of Personal Property Tax Audits.....	6.1
All Other Reductions	41.5

Total Recommended Adjustments \$791.3

Senate Fiscal Agency, May 27, 2004

Table 4

**Alternative State Budget Proposal
(millions of dollars)**

FY 2004-05 K-12 School Aid Fund Budget

Adjustments to Governor's Recommendations:

Retain 80-20 Pupil Count Blend.....	\$(52.4)
Continue Per Pupil Proration at \$48 per pupil.....	83.0
Eliminate Sec. 20J Hold Harmless Payments.....	54.3
Reduce School Readiness Funding.....	2.0
Reduce Intermediate School District Funding.....	12.5
Reduce Vocational Education Funding.....	2.9
Reduce At-Risk Program Funding	9.9
Eliminate Special Grant to Detroit Public Schools	15.0
Eliminate School District Consolidation Grants.....	1.0
Eliminate Funding for Freedom to Learn Program.....	<u>5.0</u>

Total Recommended Adjustments	<u>\$133.2</u>
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Senate Fiscal Agency, May 27, 2004

Table 5
S.B. 1106: FY 2004-05 ALTERNATE BUDGET PROPOSAL
GENERAL FUND/GENERAL PURPOSE APPROPRIATION SAVINGS
(with Modifications on May 26, 2004)

Department/Budget Area	FY 2004-05 Governor's Adjusted Rec.*	Proposed Reductions**	FY 2004-05 Alternate Budget Target
Agriculture	\$31,509,400	\$1,936,800	\$31,072,600
Attorney General	30,708,400	1,887,600	28,820,800
Capital Outlay	271,302,100	4,122,900	267,179,200
Civil Rights	11,857,200	728,800	11,128,400
Civil Service	7,788,300	478,700	7,309,600
Community Colleges	285,747,000	17,564,100	268,182,900
Community Health	3,091,178,800	180,995,300	2,910,183,500
Corrections	1,742,962,500	107,135,000	1,635,827,500
Education	28,454,300	1,700,000	26,754,300
Environmental Quality	38,152,300	2,345,100	35,807,200
Executive	4,859,500	298,700	4,560,800
Family Independence Agency	1,138,331,400	69,970,100	1,068,361,300
Higher Education	1,601,482,500	98,438,700	1,509,791,300
History, Arts and Libraries	47,463,100	2,917,400	44,545,700
Judiciary	158,093,300	9,717,600	148,375,700
Labor and Economic Growth	108,910,100	6,694,400	102,215,700
Legislature	114,072,800	7,011,700	107,061,100
Management and Budget	37,311,400	2,293,400	35,018,000
Military and Veterans Affairs	37,563,000	2,308,900	35,254,100
Natural Resources	25,643,100	1,576,200	24,066,900
School Aid	131,800,000	133,200,000	20,000,000
State	15,121,600	929,500	14,192,100
State Police	245,458,500	15,087,600	230,370,900
Transportation	0	34,400,000	0
Treasury (Debt Service)	70,563,100	0	70,563,100
Treasury (Operations)	57,020,000	7,050,000	49,970,000
Treasury (Revenue Sharing-Restricted)	1,308,600,000	80,436,000	1,228,164,000
Treasury (Revenue Sharing-GF/GP)	1,542,300	94,800	1,447,500
TOTAL	\$10,643,496,000	\$791,319,300	\$9,916,224,200

Notes:

* Adjustments to Governor's Rec: \$615.1 million for Community Health; \$64.8 million in Higher Education to restore Tuition Grants, and \$182.3 million in Treasury to restore county revenue sharing.

** No reductions for debt service in Treasury; the \$791.3 million reduction amount is comprised of: \$265 million from the tobacco products tax, \$94.3 million from the estate tax, \$31.8 million from the liquor price mark-up, \$182.3 million from the county property tax collection change, \$64.8 million to restore Tuition Grants, \$21.3 million for the School Aid Fund, \$128.8 million for the FY 2004-05 GF/GP deficit resulting from the May 18th Consensus Revenue Estimating Conference, and an ending balance of \$3.0 million.

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF AGRICULTURE

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Grant Reduction: Local Conservation Districts. Provides base funding for operations of local conservation districts statewide at \$20,000 per district. Reduce grants by 12% to \$17,600 per district through appropriation reduction.	\$1,580,000	\$1,580,000	\$186,800
2. Michigan Agriculture Environmental Assurance Program (MAEAP). Transfer of some program responsibility to DEQ under NPDES program. Under NPDES permit program new large animal feeding operations will be regulated by DEQ rather than the Department of Agriculture's voluntary program. The Department of Agriculture will experience some workload reduction in its MAEAP.	600,000	600,000	200,000
3. Grant Reduction: Export Market Development. Provides matching grants for export market development. State funding used to leverage Federal and private funding, about 4-to-1 ratio. Eliminate grant through appropriation reduction.	50,000	50,000	50,000
4. Transfer Agriculture Preservation Fund Revenue to GF/GP. Provides funding for State purchase of development rights and matching grants to local governments for development rights purchases. Transfer portion of year-end balance to GF/GP. This will result in a pause in the State's development rights purchase program in FY 2004-05. Require statutory changes to PA 451 of 1994, Part 362 to implement year-end transfer.			1,500,000
TOTAL SAVINGS:			\$1,936,800

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF ATTORNEY GENERAL

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Attorney General Operations. Most of the budget for the Department of Attorney General supports personnel costs. A reduction in positions would affect the Department's ability to provide legal services. Previous reductions have been covered by holding general fund vacancies and transferring positions to funded restricted source vacancies. However, that method of absorbing prior reductions is constrained by the level of the workload for restricted fund services. The proposed reduction could result in the elimination of 19.0 FTE to 28.0 FTE positions, depending on the actual salary of the affected individuals.	\$56,818,800	\$27,403,300	\$1,721,400
2. Prosecuting Attorneys Coordinating Council. The reduction would affect 1.0 FTE position. The Prosecuting Attorneys Coordinating Council is currently authorized 15.0 FTE positions.	1,512,100	1,053,300	64,700
3. Child Support Enforcement. This unit was created on April 1, 2003. The appropriation includes a two-thirds match from Federal funds. The FY 2004-05 recommendation continues the authorization of 25.0 FTE for this program.	2,192,800	785,400	48,300
4. Information Technology. A reduction to this unit should be attainable without an impact on FTE positions.	865,200	865,200	53,200
TOTAL SAVINGS:			\$1,887,600

S.B. 1106: FY 2004-05 REDUCTIONS

CAPITAL OUTLAY

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. State Agency Special Maintenance. Major special maintenance items for all State-owned facilities, including prisons, police posts, and community health facilities, are funded from this line. This proposal would cut the line by 3.6%.	\$3,403,300	\$1,406,600	\$122,900
2. State Building Authority Rent. This line item funds rent (debt service) payments for previously authorized building projects at State agencies, community colleges, and universities. Due to the restructuring and refinancing of several prior bond issues, savings in the rent line item are expected.	277,097,100	269,302,100	4,000,000
TOTAL SAVINGS:			\$4,122,900

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF CIVIL RIGHTS

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Civil Rights Budget Reductions. Most of the funding for Department of Civil Rights supports FTE positions. The proposed reduction equates to approximately 8.0 to 13.0 FTE positions. The actual salaries of eliminated positions will determine the final impact on authorized FTE positions.	\$12,791,200	\$11,857,200	\$728,800
TOTAL SAVINGS:			\$728,800

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF CIVIL SERVICE

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Civil Service Reductions. Article XI, Section 5 of the Michigan Constitution provides that the Legislature shall appropriate to the Civil Service Commission a sum not less than one percent of the aggregate payroll of the classified service for preceding fiscal year to enable the Commission to exercise its powers. The appropriation for the Department of Civil Service has consistently been below the 1% requirement. (The 1.0% equates to \$38.1 million.) The proposed \$478,700 reduction would be in addition to the \$600,000 administrative support reduction included in the Governor's budget for FY 2004-05. If the reduction is attained through FTE eliminations, the impact would be approximately 6.0 to 8.0 FTE positions depending on the actual salaries of affected employees.	\$35,262,900	\$7,788,300	\$478,700
TOTAL SAVINGS:			\$478,700

S.B. 1106: FY 2004-05 REDUCTIONS

COMMUNITY COLLEGES

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. College Operations. The proposed reduction represents a 6.3% across-the-board cut to the operating appropriations of all 28 community colleges. The tuition restraint proposal is not included. After this FY 2004-05 reduction, State funding for community colleges will have declined by 14.1% from the FY 2002-03 appropriation level.	\$280,024,300	\$280,024,300	\$17,564,100
TOTAL SAVINGS:			\$17,564,100

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF COMMUNITY HEALTH

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Healthy Michigan Fund. Eliminate Governor's Healthy Michigan Fund (HMF) increases. There would be no GF/GP savings from this option, but these reductions to Governor's recommendation must be made as they were predicated on passage of a tobacco tax increase. Furthermore, the Senate restoration of Medicaid adult dental, podiatric, chiropractic, and hearing aid services would not be funded either.	\$26,785,800	\$0	\$0
2. Quality Assurance Assessment Programs. Increase gainsharing from nursing home and hospital Quality Assurance Assessment Programs (QAAPs) from \$18,900,000 to \$30,000,000 apiece.	N/A	N/A	22,200,000
3. Medicaid HMO. Increase gainsharing from the Medicaid Health Maintenance Organization (HMO) QAAP from \$15,200,000 to \$30,000,000.	N/A	N/A	14,800,000
4. Multicultural Services. Eliminate Community Mental Health (CMH) multicultural services.	3,663,800	3,663,800	3,663,800
5. Healthy Michigan Fund Grants. Eliminate all Healthy Michigan Fund grants except for tobacco tax enforcement and shift reduced HMF dollars to support Medicaid, thus freeing up GF/GP.	17,271,900	0	17,271,900
6. Caretaker Relatives. Eliminate coverage of Medicaid caretaker relatives. This reduction would require a statutory change to the Social Welfare Act.	96,000,000	41,558,400	41,558,400
7. Home and Community-Based Waivers. Reduce the MIChoice Home and Community-Based Waiver program which provides in-home assistance to Medicaid eligible frail elderly and disabled persons.	100,000,000	43,290,000	22,835,500
8. Community Mental Health. Reduce the CMH Non-Medicaid line by 10.3%.	313,352,400	313,352,400	32,423,800
9. Disproportionate Share. Take additional Medicaid special financing savings based on the Federal increase in the DSH limit.	N/A	N/A	25,786,800
10. Other Changes. The net of other changes in the original Senate version of the bill results in a small savings.	N/A	N/A	455,100
TOTAL SAVINGS:			\$180,995,300

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF CORRECTIONS

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
<p>1. Close Newberry Correctional Facility and Camp Manistique. This line includes a Level II correctional facility as well as a minimum security camp under the same administration. Newberry was previously a regional mental health center and because of its age and physical layout, it has the highest operating per diem among Level I and II facilities. The facilities house a total of 1,150 prisoners and have an authorization for 345 FTEs. This closure would require layoffs as well as release of prisoners. Unemployment costs and annual leave buyouts could cost as much as \$4.3 million depending on how many employees can fill vacancies in other facilities. Paroling additional offenders also would require approximately 11 additional parole/probation officers at an approximate cost of \$730,000. Release of offenders also would generate approximately \$3.6 million savings in health care costs. The net savings are shown. Early release of prisoners may require statutory change.</p>	\$27,827,000	\$27,690,500	\$26,260,500
<p>2. Close the Parnall Correctional Facility. This is a Level I facility with 1,378 prisoners and an authorization for 266 FTEs. It is the oldest of all Level I facilities. This closure would require layoffs and release of prisoners. Unemployment costs and annual leave buyouts could cost as much as \$3.5 million depending on how many employees can fill vacancies in other facilities. Paroling additional offenders also would require approximately 14 additional parole officers at an approximate cost of \$930,000. Release of offenders also would generate approximately \$4.0 million savings in health care costs. The net savings are shown. Early release of prisoners may require statutory change.</p>	23,426,700	23,307,700	22,877,700

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
3. Academic/Vocational Programs. a) The Senate reduced programming by \$5.0 million. b) Eliminate all academic and vocational programs for further savings of \$28,165,900. This would likely result in the loss of Federal funds as well as layoffs of almost 400 FTEs. Unemployment costs and annual leave buyouts could cost approximately \$5.0 million. Net savings are shown.	33,165,900	33,165,900	28,165,900
4. Substance Abuse Treatment and Testing. a. The Senate reduced substance abuse testing and programming by \$5,250,400. b. Further reduce GF/GP funding in these programs for a savings of \$6,919,500. This may result in the loss of Federal funds.	20,016,300	17,667,000	12,459,900
5. Hepatitis C Testing and Treatment. The Senate eliminated all but \$100 in funding for the new line which would have expanded Hepatitis C testing and treatment.	5,863,000	\$5,863,000	5,862,900
6. Administrative Reductions. The Senate reduced all central administration lines by 1.0%.	N/A	N/A	386,700
7. Transportation Efficiencies. The Senate reduced prisoner transportation by \$2.0 million to encourage efficiencies.	N/A	N/A	2,000,000
8. Information Technology. The Senate reduced IT development by \$1.5 million.	15,118,600	14,609,100	1,500,000
9. Community Corrections. Eliminate two new program lines and an increase to probation residential centers which were related to the proposed implementation of sentencing guidelines revisions.	48,684,000	28,091,900	2,819,600
10. Parole/Probation Services. Eliminate special programs. Use restricted funds as GF/GP offset for regular parole and probation staff. This would require a change in statute.	2,867,300	0	2,867,300
11. Training. Layoffs associated with a facility closure should eliminate the need for the addition of one employee school included in the Governor's budget.	4,308,800	3,670,200	1,134,500

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
12. Pharmaceutical Savings. Change statute to allow reuse of medications as long as they remain in custody of pharmacy or clinical staff.	N/A	N/A	800,000
TOTAL SAVINGS:			\$107,135,000

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF EDUCATION

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Reduce School Breakfast Appropriations. The House appropriations subcommittee for Department of Education reduced this line item by \$2 million under the presumption that the line is over funded. In FY 2002-03, a \$2.43 million enacted supplemental for this line did indeed lapse in its entirety. Language already exists in the budget bill providing for proration in the event of insufficient funds; therefore the reduction could be accomplished either in the budget bill or via EO.	\$10,025,000	\$10,025,000	\$1,700,000
TOTAL SAVINGS:			\$1,700,000

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF ENVIRONMENTAL QUALITY

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Septage Waste Fees. The Senate-passed bill would appropriate additional revenue from these fees to offset a reduction in GF and to expand the program. A statutory change is required to support this action. The General Fund was not added to another part of the budget.	\$349,100	\$121,700	\$121,700
2. Recreational Resources. The Senate-passed bill would increase the fees assessed for certification of public swimming pools and campgrounds. The fees would be used to offset a reduction in General Fund. The General Fund was not added to another part of the budget. A statutory change is required to support this action.	651,500	333,400	333,400
3. Manufactured Housing Program. The Senate-passed bill includes an appropriation from Manufactured Housing Commission fees to offset a reduction in General Fund support for this program. The fund source currently exists and there is a sufficient balance in the fund to cover this fund shift. The Mobile Home Commission or the Legislature would need to increase the current fees to cover this expense in future fiscal years. The Commission is housed in the Department of Labor and Economic Growth. The General Fund was not added to another part of the budget.	621,200	621,200	621,200
4. Air Quality Emissions Fees. The Senate-passed bill includes a fund shift to air emissions fees to reduce the appropriation of General Fund in the Air Quality Division. This fund shift may require the DEQ to use the fees for activities not authorized in statute. The General Fund was not added to another part of the budget.	22,406,800	7,482,600	1,200,000
5. Reduction to Criminal Investigation. The remainder of the GF/GP reduction could be taken from the criminal investigations line item which has lapsed sufficient funds for the past few fiscal years to cover this reduction.	2,136,700	1,487,800	68,800
TOTAL SAVINGS:			\$2,345,100

S.B. 1106: FY 2004-05 REDUCTIONS

EXECUTIVE OFFICE

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Executive Office. The Executive Office would determine the allocation of this reduction.	\$4,859,500	\$4,859,500	\$298,700
TOTAL SAVINGS:			\$298,700

S.B. 1106: FY 2004-05 REDUCTIONS

FAMILY INDEPENDENCE AGENCY

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Adoption Subsidies. Accept House base adjustment to Adoption Subsidies line item.	\$239,210,600	\$90,877,900	\$5,379,000
2. Foster Care. Reduce administrative, institutional, and family payment rates for Foster Care and Adoption Subsidies by 13.4%. The cuts proposed for foster care and adoption will greatly impact foster parents and private agencies: they are of special concern and will continue to be reviewed.	453,915,500	171,499,400	22,913,100
3. Multicultural. Eliminate Family Independence Agency (FIA) Multicultural Service contracts.	1,715,500	1,715,500	1,715,500
4. Child Care Fund. Must change State law and may have Headlee implications	171,337,900	102,200,000	17,133,800
5. Youth In Transition Program. Eliminate the General Fund used to match Federal Chaffee grant; without at least \$1.3 million in GF, the State will forfeit the \$5.2 million.	12,482,100	2,643,000	2,643,000
6. State Disability Assistance. Reduce payments by 14%	31,643,100	26,538,300	3,745,300
7. Training and Staff Development. To remove 76% of the GF/GP and eliminate about 40 positions would jeopardize new worker and current worker specific skills training, likely resulting in increased error rates and penalties, decreased worker efficiency, customer services quality, and increased fraud, worker stress and turnover.	8,645,500	2,889,300	2,202,900
8. Emergency Relief. Reduce other State Emergency Relief expenditures by 18%. This includes homeless shelter, food banks, and emergency repairs and services.	39,692,700	26,621,500	4,758,300
9. Clothing Allowance. Reduce the Family Independence Program clothing allowance to the minimum amount necessary to continue to comply with Temporary Assistance to Needy Families (TANF) maintenance of effort requirements. This would equate to roughly \$20 per child.	391,810,100	189,089,500	2,913,200
10. Local Office Staff. Reduce the staff in county offices by 4.27% or 350 FTE positions.	336,816,900	120,368,300	6,566,000
TOTAL SAVINGS:			\$69,970,100

S.B. 1106: FY 2004-05 REDUCTIONS

HIGHER EDUCATION

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings																		
1. University Operations. Reduce the appropriation for each of the 15 public universities by 5.8%. After this FY 2004-05 reduction, State funding for universities will have declined by 13.7% from the FY 2002-03 appropriation level.	\$1,434,166,500	\$1,424,666,500	\$83,181,500																		
2. Agricultural Experiment Station and Cooperative Extension Service. Reduce funding by an additional 2.8%, on top of the Governor's-recommended 3.0% reduction, for a total reduction from FY 2003-04 of 5.8%.	59,915,100	59,915,100	1,729,500																		
3. Higher Education Database. Reduce by 5.8%.	200,000	200,000	11,600																		
4. King-Chavez-Parks Programs. Reduce the competitive grants by 5.8%.	2,691,500	2,691,500	156,100																		
5. State-Funded Grants and Financial Aid. Reduce all grants by 5.8%, except for Michigan Merit Awards and the Tuition Incentive Program (TIP). The specific reductions would be as follows:	122,509,400	114,009,400	6,844,500																		
<table><tr><td>Grant</td><td>Reduction</td></tr><tr><td>Competitive Scholarships.</td><td>\$1,892,600</td></tr><tr><td>Tuition Grants.</td><td>3,756,500</td></tr><tr><td>Work Study.</td><td>424,900</td></tr><tr><td>Part-time Independent</td><td>153,900</td></tr><tr><td>Dental Grant.</td><td>263,700</td></tr><tr><td>Education Opportunity Grants</td><td>120,900</td></tr><tr><td>Nursing Scholarship Program</td><td><u>232,000*</u></td></tr><tr><td>Total.</td><td>\$6,844,500</td></tr></table>				Grant	Reduction	Competitive Scholarships.	\$1,892,600	Tuition Grants.	3,756,500	Work Study.	424,900	Part-time Independent	153,900	Dental Grant.	263,700	Education Opportunity Grants	120,900	Nursing Scholarship Program	<u>232,000*</u>	Total.	\$6,844,500
Grant	Reduction																				
Competitive Scholarships.	\$1,892,600																				
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Nursing Scholarship Program	<u>232,000*</u>																				
Total.	\$6,844,500																				
6. Michigan Merit Awards. Eliminate the \$1,000 awards to students who attend college out of the State of Michigan for a savings of approximately \$4.6 million; additional savings can be achieved by lowering the \$2,500 amount available to students who attend college in Michigan. Using the number of class of 2003 in-State award recipients of 41,966 as a base, if the award amount was reduced to \$2,400, there would be an estimated savings for FY 2004-05 of \$2.1 million. Under the Michigan Merit Award statute, it appears that the Michigan Merit Award Board could make these adjustments pursuant to MCL 390.1457, Sec. 7 (5).			6,515,500*																		

*Merit Award Trust Fund revenue

TOTAL SAVINGS:

\$98,438,700

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF HISTORY, ARTS AND LIBRARIES

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Arts and Cultural Grants. Reduce by 3.0%	\$11,771,300	\$11,071,300	\$285,800
2. State Aid to Libraries. Reduce by 3.7%.	13,327,100	13,327,100	506,600
3. Grants to Detroit and Grand Rapids Public Libraries. Eliminate funding for these two line items. Both libraries are eligible for funding under the State Aid formula. These grants supplement their competitive formula funding amounts.	1,125,000	1,125,000	1,125,000
4. Preservation and Access for Michigan Project. Reduce funding by 67% for this new program recommended by the Governor to digitize rare and historic documents that would be made available through the Michigan Electronic Library.	1,500,000	1,500,000	1,000,000
TOTAL SAVINGS:			\$2,917,400

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF INFORMATION TECHNOLOGY

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Information Technology Budget. The Department of Information Technology receives all of its funding through interdepartmental grants, based on information technology appropriations in budgets of State departments and agencies. Reductions to information technology funding in those budgets will determine the amount of funding available to the Department of Information Technology.	\$366,235,800	\$0	N/A
TOTAL SAVINGS:			N/A

S.B. 1106: FY 2004-05 REDUCTIONS

JUDICIARY

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Economic Increases. Reduce the GF/GP increase for salaries, insurances, and retirement by approximately 25%. The Judiciary did not give a 3% salary increase in FY 2003-04 which is assumed in the increase, nor is it under contract to provide a 4% increase in FY 2004-05. This is in addition to the almost \$1.5 million reduction for employee-related savings.	\$4,085,900	\$3,786,100	\$950,000
2. Judicial Technology Improvement Fund. Postpone judicial technology improvements by reducing by \$2,000,000 and use restricted funds to offset GF/GP in the Court Equity Fund reimbursements line. This use of funds would require a statutory change.	4,465,000	0	2,000,000
3. Court Equity Fund Reimbursements. Reduce reimbursements to counties for the costs of trial court operations. This represents a 2.8% reduction in total reimbursements.	68,906,000	22,117,200	1,920,900
4. Juror Compensation Fund. The Juror Compensation Fund has an available fund balance of approximately \$4,000,000 because revenue was collected for an entire year before disbursements began. This one-time source of funds could be used to offset GF/GP in the Court Equity Fund reimbursements line. This use of funds would require a statutory change.	6,000,000	0	4,000,000
5. Drug Court Grants. Eliminate the GF/GP portion of drug court grants.	4,635,000	846,700	846,700
TOTAL SAVINGS:			\$9,717,600

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF LABOR AND ECONOMIC GROWTH

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Fire Protection Grants. Eliminate Governor recommended increase in funding for these grants from the Liquor Purchase Revolving Fund if statutory changes are not made to increase the mark-up on liquor. These grants are awarded to local communities for fire protection of State- owned buildings in lieu of property taxes.	\$15,921,000	\$7,421,000	\$0
2. Focus:HOPE. Reduce GF/GP by 7%.	5,860,200	860,200	60,000
3. Michigan Community Service Commission, Volunteer Investment Grants. Eliminate funding for these grants.	6,180,100	280,100	280,100
4. Pre-College Programs in the Engineering and the Sciences. Grants provided to two programs, one in Detroit and one in Grand Rapids to provide exposure to the sciences and engineering for low income and minority students. Reduce by 12%.	500,000	500,000	60,000
5. Vocational Rehabilitation Independent Living. Funding provided to the 16 Centers for Independent Living located throughout the State. Reduce GF/GP by 19%.	3,079,700	2,109,500	400,000
6. Michigan Virtual University. This program received seed grant funding for a three-year proposal to establish an Automotive Consortium to provide web-based training that could be shared among the automotive industry to train their employees. FY 2003-04 was the third year of funding for this proposal, but the Governor has recommended continuing that support into FY 2004-05. The fund source for this item is Federal Workforce Investment Act dollars. These funds could be transferred into the Job Training Program Grant line to replace Federal Reed Act funds. These Reed Act funds then could be transferred into the Welfare-to-Work line item to free up an identical amount of GF/GP. Reduce by 20%.	1,000,000	0	200,000

Program		Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
7.	Michigan Promotion Program. Funding used to market Michigan as a travel destination. Reduce by 12%.	5,717,500	5,717,500	700,000
8.	Economic Development Job Training Grants. Grants provided to educational providers, including community colleges, to provide training for new hires or retraining for existing employees. Reduce by 50%.	10,048,000	10,048,000	4,994,300
TOTAL SAVINGS:				\$6,694,400

S.B. 1106: FY 2004-05 REDUCTIONS**LEGISLATURE**

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Senate Operations.	\$27,117,500	\$27,117,500	\$1,880,900
2. Senate ADP.	2,429,700	2,429,700	207,600
3. Senate Fiscal Agency.	2,901,700	2,901,700	247,900
4. Farnum Building.	773,100	773,100	0
5. House of Representatives.	41,990,900	41,990,900	2,418,600
6. House ADP.	1,862,200	1,862,200	159,100
7. House Fiscal Agency.	2,732,900	2,732,900	233,500
8. House Office Building.	7,340,300	7,340,300	0
9. Legislative Council.	9,409,000	9,009,000	769,800
10. Legislative Service Bureau ADP.	1,322,100	1,322,100	113,000
11. E-Law, Council Technology Project.	500	500	0
12. Worker's Compensation.	133,900	133,900	11,400
13. National Association Dues.	98,500	98,500	8,400
14. Legislative Retirement System.	4,057,000	2,947,200	0
15. Legislative Auditor General.	14,301,500	11,253,300	961,500
16. Capitol Building.	2,160,000	2,160,000	0
TOTAL SAVINGS:			\$7,011,700

The above reductions exclude SOCC costs, property management, and the Legislative Retirement System from the reduction. A 6.15% reduction to the General Fund with no exclusions would total \$7,011,700. The exclusions would result in an effective reduction to other line items of 8.5%. The actual reductions to legislative lines would be determined by legislative Leadership.

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF MANAGEMENT AND BUDGET

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Management and Budget. If reductions were met through the elimination of FTE positions, the impact would be approximately 42.0 FTE positions. The FY 2003-04 enacted budget for the Department and proposed FY 2004-05 budget includes reductions to security, motor fleet, information technology, and property management costs. The FY 2004-05 reductions also include restructuring leases to obtain \$18.1 million in savings for FY 2004-05. This will result in additional costs in future years. It is possible that this mechanism could be used to obtain additional savings and avoid layoffs.	\$157,537,300	\$37,111,600	\$2,293,400
TOTAL SAVINGS:			\$2,293,400

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Grand Rapids Veterans Home. The GF/GP reduction would be supplanted by an equal amount of carry-forward cash reserves held by the home, insuring continued current level of operation. The reduction of reserves (currently \$1.4 million) would limit the flexibility of the home to use these funds for maintenance, capital outlay projects, or future funding shortfalls.	\$43,847,200	\$13,765,900	\$519,000
2. D.J. Jacobetti Veterans Home. The GF/GP reduction would be supplanted by an equal amount of carry-forward cash reserves held by the home, insuring continued current level of operation. The reduction of reserves (currently \$3.2 million) would limit the flexibility of the home to use these funds for maintenance, capital outlay projects, or future funding shortfalls.	13,630,100	4,655,100	1,707,200
3. Information Technology. The GF/GP reduction would have an impact on the purchase of equipment and other upgrades to the Department's computer system.	1,182,000	423,500	82,700
TOTAL SAVINGS:			\$2,308,900

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF NATURAL RESOURCES

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Bovine TB. In the current year, \$2,000,000 General Fund is provided for research and testing related to Bovine TB. According to some members of the NRC, research activities are no longer necessary. The Senate-passed bill removed \$500,000 of the funding to reflect this. The General Fund was not added to another part of the budget.	\$2,000,000	\$2,000,000	\$500,000
2. Swamp and Tax Reverted Land PILT. The State pays \$2 per acre from the General Fund to local units for certain DNR-owned lands. These payments could be reduced to approximately \$1.70 per acre for an estimated savings of \$1,076,200.	7,071,500	7,071,500	1,076,200
TOTAL SAVINGS:			\$1,576,200

S.B. 1193: FY 2004-05 REDUCTIONS

SCHOOL AID/K-12

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Pupil Count. Retain an 80/20 blend from Governor's proposed 50/50 blend. Also retain declining enrollment provision.	N/A	N/A	(\$52,362,000)
2. Continue Proration Amount at \$48 per pupil. (Senate-passed bill restores full proration, thus a \$0 proration.)	0	0	82,962,000
3. Section 20j Payments. Eliminate entirely the payment to 52 "hold-harmless" districts that ensures the districts receive their full foundation allowances.	54,300,000	0	54,300,000
4. School Readiness Per-Pupil Funding. Reduce this item by 2.7%, which would eliminate funding for 606 at-risk 4-year-olds. (Senate-passed bill includes this change.)	72,800,000	200,000	2,000,000
5. ISD Learn to Earn Centers. Eliminate this newly proposed program entirely. (Senate-passed bill includes this change.)	1,000,000	0	1,000,000
6. ISD 0-5 Grants. Reduce this program to FY 2003-04 level. (Senate-passed bill includes this change.)	10,000,000	0	6,674,000
7. ISD General Operations. Reduce funding by another 5.3%, which would bring total reduction to \$12.5 million or 13.6% below FY 2003-04 level. (Senate-passed bill includes this change.)	84,028,100	0	4,826,000
8. Vocational Education System. Cut funding for this program by 9.7%. (Senate-passed bill reduces this line item by \$2,000,000.)	30,000,000	0	2,900,000
9. At-Risk Program. Reduce funding for this program by 3.15%. (Senate-passed bill includes this change.)	314,200,000	0	9,900,000
10. Supplemental Payment to Detroit Public Schools. (Senate-passed bill includes this change.)	15,000,000	0	15,000,000
11. Consolidation Incentive Payments. Eliminate this newly proposed program entirely. (Senate-passed bill includes this change.)	1,000,000	0	1,000,000
12. Freedom to Learn. Eliminate State funding for this program entirely, which provides laptop computers to 6 th graders.	5,000,000	5,000,000	5,000,000
TOTAL SAVINGS:			\$133,200,000

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF STATE

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Computer Mainframe. The FY 2003-04 budget included funding to begin replacement of the Department's Legacy Computer System. The multi-year project has a total estimated cost of \$30 million. The Governor recommended continuation of the \$4,550,000 level of funding for FY 2004-05. The project could be delayed to offset the proposed General Fund reduction for the Department. Other reductions to the Department of State's budget could result in the reduction of FTE positions and service reductions.	\$4,550,500	\$2,750,000	\$929,500
TOTAL SAVINGS:			\$929,500

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF STATE POLICE

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Uniform Services – At-Post Troopers. GF/GP reduction would result in layoff of approximately 170 Trooper positions and require the cessation of a new Trooper recruit school containing 100 candidates that is planned to begin July 2004 and graduate in December 2004.	\$117,746,900	\$72,837,500	\$13,574,600
2. Information Technology. The GF/GP reduction would have an impact on computer purchases and operation of law enforcement computer systems and the operation of the Michigan Public Safety Communications System.	21,614,400	17,627,000	1,513,000
TOTAL SAVINGS:			\$15,087,600

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF TRANSPORTATION

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Sales Tax Revenue to CTF. Estimate of \$68.8 million in sales tax revenue for FY 2004-05 to Comprehensive Transportation Fund (CTF). This revenue would go to GF/GP if not earmarked for CTF.	\$68,800,000	\$0	\$34,400,000
Require changes to General Sales Tax Act and subsequent reductions to appropriations from the CTF in FY 2004-05 MDOT budget.			
50% Savings: \$34,400,000			
TOTAL SAVINGS:			\$34,400,000

COMPREHENSIVE TRANSPORTATION FUND APPROPRIATIONS			
	FY 2004-05 Governor	Reduction	FY 2004-05 w/reductions
DEBT SERVICE AND ADMINISTRATION			
Debt Service and Administration	\$39,058,300	(\$3,551,200)	\$35,507,100
BUS TRANSIT			
Local Bus Operating	161,680,000	(19,994,800)	141,685,200
INTERCITY PASSENGER & FREIGHT			
Freight Property Management	1,500,000	(185,500)	1,314,500
Detroit/Wayne County Port Authority	500,000	(61,800)	438,200
Intercity Bus Equipment	3,000,000	(371,000)	2,629,000
Rail Passenger Service	8,300,000	(4,800,000)	3,500,000
Freight Preservation and Development	3,592,900	(444,300)	3,148,600
Intercity Bus Service Development	300,000	(37,100)	262,900
Marine Passenger Services	800,000	(98,900)	701,100
Terminal Development	2,884,800	(356,800)	2,528,000
Rail Infrastructure Loan	100,000	(12,400)	87,600
Subtotal	\$20,977,700	(\$6,367,800)	\$14,609,900
PUBLIC TRANSPORTATION DEVELOPMENT			
Specialized Services	3,939,500		3,939,500
Municipal Credit	2,000,000		2,000,000
Bus Capital	8,175,400		8,175,400
Ride Sharing	330,700	(40,900)	289,800
Van Pooling	195,000	(24,100)	170,900
Bus Property Management	50,000	(6,200)	43,800
Service Development and New Technology	200,000	(24,700)	175,300
Planning Grants	80,000	(9,900)	70,100
Audit Settlements	150,000	(18,600)	131,400
Regional Service Coordination	500,000	(61,800)	438,200
Transportation to Work	5,000,000	(4,300,000)	700,000
Subtotal	\$20,620,600	(\$4,486,200)	\$16,134,400
TOTAL	\$242,336,600	(\$34,400,000)	\$207,936,600

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF TREASURY

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Grants to Locals for Personal Property Tax Audits. The Governor's Recommendation continues the \$7 million appropriation first included in FY 2003-04 to reimburse local units of government for a portion of the costs associated with personal property tax audits. FY 2003-04 actual allocations for this grant are substantially below the appropriation. The House eliminated the entire \$7 million in its version of the FY 2004-05 General Government Appropriation Bill. Senate Bill 1106 concurs with the House. A portion of the funding (\$900,000) is allocated to personal property tax auditors and \$50,000 is allocated to assessor training, resulting in a net reduction of \$6,050,000.	\$7,000,000	\$7,000,000	\$6,050,000
2. Program Reductions. The bill includes program reductions contained in H.B. 5517 (S-1) as follows:			1,000,000
Supervision of the General Property			
Tax Laws.....	\$300,000		
Local Finance.....	125,000		
Tax Policy.....	100,000		
Human Resources, Program			
Management and Purchasing...	150,000		
Office of Revenue and Tax			
Analysis (ORTA).....	150,000		
Finance and Accounting.....	75,000		
Receipts Processing.....	50,000		
Common Cash Investments			
and Debt Management.....	50,000		
Total.....	\$1,000,000		
TOTAL SAVINGS:			\$7,050,000

S.B. 1106: FY 2004-05 REDUCTIONS

DEPARTMENT OF TREASURY—REVENUE SHARING

Program	Gov's Rec. Year-to-Date Gross Appropriation	Gov's Rec. Year-to-Date GF/GP Appropriation	FY 2004-05 GF/GP Savings
1. Revenue Sharing (Restricted). Includes \$681.0 million of constitutionally required payments and \$445.3 million in statutory payments. Reduction would represent a 6.15% reduction from the Governor's adjusted recommendation. After this FY 2004-05 reduction, State revenue sharing payments will have declined by 15.4% from the FY 2002-03 appropriated level. If distributed on the same "uniform" basis recommended in the Governor's budget, payments generally would need to be reduced by 6.91% to realize the savings. However, approximately 175 local units would receive a 4.0% increase because those units ceased receiving statutory payments during FY 2003-04. Combined with the PILT provisions, a total of 1,070 local units would not receive a statutory payment during FY 2004-05 and a total of 776 cities, villages and townships would experience reductions of 7.0% or more.	\$1,308,600,000	\$0	\$80,436,000
2. Revenue Sharing (GF-GP). Local units under the control of a State-appointed emergency financial manager (Flint, Hamtramck, Highland Park) were "held harmless" from revenue sharing reductions under Executive Order 2003-23 through a supplemental appropriation in FY 2003-04. This appropriation would continue that provision into FY 2004-05, making the average change between FY 2003-04 and FY 2004-05 for those local units equal the average change for other local units. The reduction would lower the "hold harmless" appropriation by 6.15%.	\$1,542,300	\$1,542,300	\$94,800
TOTAL SAVINGS:			\$80,530,800